



Written by [Brian Koenig](#) on May 11, 2011

## The Obama-Reid Assault on “Big Oil”

Two tax deductions Senator Reid plans to eliminate are the domestic manufacturing deduction and tax credits on payments to foreign governments. The five companies targeted by Reid’s plan are BP, Exxon, Shell, Conoco, and Chevron.

Republicans have promptly denounced the plan, calling it a tax increase on oil companies. Senate Minority Leader Mitch McConnell said the plan was “completely counterproductive.”

The American Petroleum Institute and the U.S. Chamber of Commerce contended on Monday that Reid’s proposal would further spike gas prices, and requested instead for proposals that would increase access to drilling — which they claim would boost revenue and, in turn, boost tax payments.

Brian Johnson, senior tax advisor to the American Petroleum Institute, said, “There’s one really easy thing we can do to bring revenue: that’s increase access.” Johnson [says](#) the oil industry pays \$37 billion a year in taxes, and he believes allowing oil companies to drill more would rake in an extra \$140 billion in taxes over the next 20 years.

President Obama is requesting that the government savings accrued from abolishing the tax breaks be used to fund alternative energy development projects, but the Energy Information Administration says such projects will not be able to replace fossil fuels for at least two decades.

The *Washington Times* [reported](#):

At best, Reid’s approach will do absolutely nothing to take the pressure off the wallet of American families. More likely, the Obama-Reid program will make gasoline more expensive. By discouraging U.S. oil production, Obama and Reid will force American consumers to be even more dependent on foreign sources like OPEC and Venezuela’s Hugo Chavez. This in turn will hinder the economy from creating new jobs to ease the 9 percent unemployment rate.

The President first solicited his flagrant blitz on oil companies in his February 2012 budget proposal. The Congressional Research Service, along with a few Democrats, denounced Obama’s plan, saying it would increase prices at the pump and “cost thousands of jobs.” The CRS claimed the tax hikes on oil companies “would make oil and natural gas more expensive for U.S. consumers and likely increase foreign dependence.”

In response to Obama’s budget proposal, Sen. Mary Landrieu (D-La.) asserted, “The administration has put forward draconian taxes on the oil and gas industry.... It seems very contrary to our stated goal of being more energy sufficient in the United States. Taxing this domestic industry will instead cut jobs and increase our dependency on foreign oil.” Sen. Mark Begich (D-Alaska) echoed Landrieu’s remarks,





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saying, “The President’s call for eliminating incentives for oil and gas production is a non-starter and could hurt Alaska’s energy industry.”

The Democrats, led by President Obama and Senator Reid, are strategically using the Republicans’ plea to “reduce the deficit” as an effective tool to end oil companies’ tax breaks, and, ultimately, put a leash on oil drilling and exploration.

Criticism of the Obama-Reid program hones in not just on legislation that ends tax breaks, but on the unjustness of ending tax breaks for only one sector of the economy, as the deductions oil companies use for drilling costs are comparable to tax deductions taken by manufacturers for depreciation of plants and equipment. As well, the Democrats’ assault on “Big Oil” assumes that oil companies are the culprits of high gas prices, while negating factors such as the Obama administration’s unwillingness to issue drilling permits, foreign influence, and the Federal Reserve’s expansionary monetary policies that tend to drive the cost of commodities upward (more dollars printed means more dollars chasing the same amount of goods, lessening the buying power of the dollar).

Obama’s “alternative energy development projects” — mainly [wind power](#), [solar power](#), and [ethanol](#) — show little promise for decreasing gas prices, especially over the short term. Regulating drilling and exploration and burdening oil companies with higher taxes decrease domestic supply and increase foreign dependence — and as a result, Americans are experiencing a steep jump at the pump.



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